

19. (Amended) The system of claim 16 wherein the at least one computer is programmed to automatically transmit the IOI with the order unless an override command is entered in association with the order via a user station.

### REMARKS

Claims 1–29 are pending in the application and have been rejected in the July 19, 2002 Office Action under 35 U.S.C. § 103.

#### Claims 1-15

At paragraph 4 (page 4) of the July 19, 2002 Office Action, claims 1–15 were rejected under 35 U.S.C. § 103 as unpatentable over Lupien et al. US Pat. No. 5,101,353 in view of Silverman et al. US Pat. No. 5,924,082.

The rejection of claim 1 is addressed first.

#### Claim 1

Claim 1 claims a method for electronically trading stocks in which:

[a] a first party offering to buy or sell over the system a number of shares selected by the first party of a stock at a price selected by the first party from or to one or more counterparts selected by the first party;

the first party and a counterparty electronically agreeing to trade up to an agreed number of shares of the stock at an agreed price;

[b] if there is no better trade in at least one stock order originating from outside the system for the particular stock for either the first party or the counterparty, the system electronically executing the trade agreed to by the first party and the counterparty, otherwise the system executing the better trade.

In the April 15, 2002 Office Action (page 3), claim 1 was rejected under 35 U.S.C. § 103 as unpatentable over Silverman et al. in view of Korhammer et al. US Pat. No. 6,278,982. Although the examiner provided many cites to Silverman et al. in the April 15, 2002 Office Action, it appears that he cited Silverman et al. generally as disclosing a system that distributes bids and offers to remote terminals, displays offers throughout the negotiating process and in which bids and offers may be entered into the system at any time. (Page 5 of April 15, 2002 Office Action.) However, the examiner admitted that Silverman et al. did not explicitly teach price discovery outside the system, and cited Korhammer et al. Subject to correction by the examiner, the examiner's position is understood to have been that Silverman et al. discloses part [a] of claim 1 and Korhammer et al. part [b].

Applicants' position was and is that Silverman et al. does not disclose the subject matter of part [a] (or part [b]) of claim 1 and Korhammer et al. does not disclose the subject matter of part [b] (or part [a]) of claim 1.

In the June 20, 2002 interview, the examiner agreed that Korhammer et al. did not disclose the subject matter of part [b] of claim 1, and indicated that he would conduct further searching after receiving applicants' written response to the April 15, 2002 Office Action.<sup>1</sup> Such searching has apparently identified Lupien et al., which the examiner in the July 19, 2002 Office Action combines with Silverman et al. to reject claim 1. Thus, it appears that the examiner has replaced Korhammer et al. with Lupien et al. with respect to the subject matter of part [b] above of claim 1, while continuing to cite Silverman et al. with respect to the subject matter of part [a] of claim 1.

***Lupien et al.***

Lupien et al. specifically discloses the following. Users of the system disclosed in Lupien et al. may be either internal auto-traders or external auto-

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<sup>1</sup> The Interview Summary prepared by the examiner for the June 20, 2002 interview states: "Agreement was reached regarding the shortcomings of the prior art."

traders. Internal auto-traders do not have to communicate outside of the system to place, change, or execute orders. External auto-traders must complete transactions outside the system, making their orders on the system subject to cancellation. (Col. 11, line 11 – col. 13, line 23.) “[I]nternal auto-traders accept matches immediately in real time without tentative acceptance,” apparently even if a better trade is available outside the system.” “In the case of external auto-traders, acceptance is tentative and becomes final only when confirmation from the external auto-trader is received by the system.” (Col. 13, lines 29-37.)

With respect to a tentative trade between external auto-traders, Lupien et al. states:

[A]n internal auto-trader may issue an order as good or better than an external quote which is in tentative match. The internal quote is matched as soon as the external match is rejected. The match system can recognize that a better match is possible and attempt to cancel the external order before it is accepted. (Col. 14, lines 37 – 42.)

A comparison of the Lupien et al. disclosure, particularly the subject matter from Lupien et al. quoted above, and part [b] of claim 1 clearly reveals that Lupien et al., like Korhammer et al., does not disclose part [b] of claim 1. Thus, as was the case with the prior art discussed at the interview, the examiner has not cited any prior art reference or references which alone or in combination disclose the subject matter of part [b] of claim 1.

However, even though the examiner recognizes (page 3 of July 19, 2002 Office Action) that Lupien et al. does not disclose part [b] of claim 1, and that this “particular feature [in Lupien et al.] operates opposite to the Applicant's invention,” the examiner contends that part [b] of claim 1 is obvious from Lupien et al. because “it would be obvious to attempt to cancel an internal trade in lieu of a superior external one in order to provide users with a fair market trading system that ensures trade executions at the best possible price.”

First of all, it is submitted that Lupien et al. does not disclose that internal trades be made to ensure trade executions "at the best possible price," as suggested by the examiner. At col. 13, lines 35-37, Lupien et al. states "By contrast, internal auto-traders accept matches immediately in real time without tentative acceptance." If anything, this suggests that internal auto-traders do not trade at the best possible price if there is a better trade outside the system because auto-traders accept matches immediately. Based on this alone, for the reason discussed below, the examiner should withdraw the rejection of claim 1

The examiner again has not made out a *prima facie* case of obviousness because he has not shown how the disclosure in Lupien et al. referred to above suggests part [b] of claim 1 which ends with "otherwise the system executing the better trade". Therefore, unless the examiner can provide some disclosure or suggestion in Lupien et al. or elsewhere in the prior art that leads one from Lupien et al.'s disclosure (which suggests that internal auto-traders do not trade at the best possible price) to part [b] of claim 1 (which states "otherwise executing the best trade"), or cites new relevant prior art, the Examiner should withdraw the rejection of claim 1 based on Lupien et al.

The examiner also provided two other reasons in support of his contention that part [b] of claim 1 is obvious from Lupien et al.. The examiner, citing col. 14, lines 48-57 of Lupien et al., states (page 3 of July 19, 2002 Office Action) that "Lupien et al. et al. teach that the base system can be modified to execute profitable trades that the system would not normally execute", and that "it would have been obvious to give priority to trades originating within the system in order to receive additional fees."

With respect to the examiner's cite to col. 14, lines 48-57 of Lupien et al., the exact quotation is:

Further, the system could be modified to include an intelligent order manager which executes profitable trades that the base system would not itself execute. For instance, an all-or-nothing

order for 16,000 shares of IBM would fail if the system had only 15,000 shares available. The intelligent order manager would, upon the client's standing or contemporaneous instruction, execute the full order and find the other 1000 shares later if the overall trade looked profitable or if customer satisfaction required execution.

Here the examiner also has not made out a *prima facie* case of obviousness because he has not shown how modification of a system to execute profitable trades leads or points one to the subject matter of part [b] of claim 1. Certainly, the "all or nothing" example given in the Lupien et al. text cited by the examiner does lead to part [b] of claim 1. Further, neither does the objective of receiving additional fees lead or point one to part [b] of claim 1 as opposed to any other way of increasing fees.

Again, unless the examiner can provide some prior art disclosure or suggestion that leads one from Lupien et al.'s disclosure to part [b] of claim 1, particularly when Lupien et al. teaches away from part [b] of claim 1, or he cites new relevant prior art, the examiner should withdraw the rejection of claim 1 based on Lupien et al.

***Silverman et al.***

The Examiner does not dispute that Silverman et al. does not disclose or suggest the subject matter of part [b] of claim 1.<sup>2</sup> However, starting at the bottom of page 4 of the July 19, 2002 Office Action, the examiner states that Silverman et al. teaches a system that "displays offers throughout the negotiating process," and "that bids and offers may be entered into the system at any time." Based on that, the examiner concludes that "it would have been obvious to allow a user to view bids and offers throughout the transaction price in order to obtain the best price," and therefore, that "it would have been obvious to combine the

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<sup>2</sup> Applicants do not admit that Silverman et al. discloses the subject matter of part [a] of claim 1 to the extent that the examiner so contends in this or any previous office action.

teachings of Silverman et al. and Lupien et al. in order to provide users with an improved interface for negotiating trades and receiving financial information."

The Examiner admits that Silverman et al. et al. does not disclose or suggest the subject matter of part [b] of claim 1, and, as discussed above, neither does Lupien et al. Therefore, combining Lupien et al. and Silverman et al. does not result in the invention claimed in claim 1.

***Claim 1 is allowable***

For the reasons given above, it is submitted that claim 1 is allowable over Lupien et al. and Silverman et al.

**Claim 7**

Claim 7 was amended to change its form from a Jepson claim and to make two minor amendments. Applicants do not admit that the preamble portion of claim 7 prior to this amendment is prior art. Applicants have not amended claim 7 for any reason related to patentability, and do not believe the amendment to claim 7 results in a narrowing of the claim.

Claim 7 claims a system comprising at least one computer which receives orders from a plurality of users of the system and orders originating from outside the system, and is programmed, *inter alia*, to:

execute trades of matching orders [and] to also execute a trade of an order from a user of the system matched with an order originating from outside the system and a trade between a negotiated order from a user of the system and an order originating from outside the system [and] to execute a trade in accordance with a priority when the same trade becomes available between two orders originating within the system and an order originating from within the system and an order originating from outside the system.

In Lupien et al., with a trade between an internal auto-trader and an external auto-trader in tentative match, an internal auto-trader may issue an

order as good or better than the tentatively matched trade. The subsequently issued internal order is matched as soon as the external match is rejected. Lupien et al. specifically states: "The system of this invention matches orders in block 82 on a price-time priority." (Col. 13, lines 24-41 and col. 14, lines 37-43.)

Thus, in Lupien et al., matches between two internal auto-traders and between an internal auto-trader and an external auto-trader are made on a "time-price priority" and not on a priority based on whether the trade is between two internal auto-traders and an between an internal auto-trader and an external auto-trader, and hence not "in accordance with a priority when the same trade becomes available between two orders originating within the system and an order originating from within the system and an order originating from outside the system," as claimed in claim 7. The fact that the Lupien et al. system executes a match between internal auto-traders immediately and a match between an internal auto-trader and an external auto-trader after confirmation (which can be caused to be rejected by an internal auto-trader) does not change the price-time priority of Lupien et al.'s system.

It is submitted that Silverman et al. also does not disclose at least executing a trade "in accordance with a priority when the same trade becomes available between two orders originating within the system and an order originating from within the system and an order originating from outside the system," as claimed in claim 7.

Therefore, it is submitted that claim 7 is allowable over Lupien et al. and Silverman et al.

#### **Claim 9**

Claim 9 claims a system for conducting anonymous negotiations in trading stock comprising, *inter alia*, at least one computer which receives hidden orders and public orders, and is programmed to:

support anonymous negotiations between first and second users  
with the hidden orders;

to repeatedly determine whether there is a match of any one of the hidden orders with any one of the public orders; and to execute a pair of orders selected from the hidden orders and the public orders.

Lupien et al. discloses that internal auto-traders accept matches immediately in real time, and that in the case of a match with external-auto-traders, acceptance is tentative. (Col. 13, lines 24-41.) In either case, the Lupien et al. system does not contemplate negotiation. Therefore, it would not be obvious to insinuate negotiation into a system that is intended to match and execute without negotiation. Lupien et al. does not disclose any negotiation when an internal auto-trader issues an order after a tentative match involving an external auto-trader. If the external trade can be rejected, the trade between internal auto-traders goes forward without negotiation.

Even if Silverman et al. discloses negotiation, that *per se* is not a reason to one of skill in the art to change the Lupien et al. into a system that supports negotiation. It is submitted that the Lupien et al. system would have to be drastically changed to support negotiation, and if such a changed system supported negotiation, trades subject to negotiation would not be accepted immediately in real time as presently contemplated in Lupien et al. for trades between internal auto-traders. Thus, changing Lupien et al. for the purpose of constructing a rejection of claim 9 would change the basic way in which the Lupien et al. system operates. This points away from a conclusion of obviousness based on Lupien et al.

Also, the examiner has not addressed how the Lupien et al. system would be changed to support negotiation. Of course, nothing in Silverman et al. and Lupien et al suggests that negotiation be added to a system such as the Lupien et al. system, or vice versa, and undisputedly, neither Silverman et al. nor Lupien et al. suggests how the combination of the two would be implemented. All of this points to nonobviousness.



For the reasons discussed above, it is submitted that claim 9 is allowable over Lupien et al. and Silverman et al.

**Claims 2-6, 8 and 10-15**

Claims 2-6 depend from claim 1; claim 8 depends from claim 7; and claims 10-15 depend from claim 9. It is submitted that these claims are allowable for at least the reasons advanced for the allowability of claims 1, 7 and 9, respectively. Applicants reserve the right to argue the patentability of the respective inventions claimed in these claims, either in this application or a subsequent proceeding, should any of claims 1, 7 and 9 be rejected or held invalid.

**Claims 16-29**

**Claim 26**

At paragraph 5 (page 5) of the July 19, 2002 Office Action, the examiner again rejected claims 16-29 under 35 U.S.C. § 103, as unpatentable over Silverman et al. in view of McCausland et al. US Pat. No. 5,243,331. Applicants again traverse.

Claim 26 claims a method of determining interest in a stock among users of an electronic stock trading system that includes user stations and at least one computer for matching orders and executing trades. The method comprises:

- a user at a user station selecting users from among a plurality of users of the system to which the user wants to transmit an indicator-of-interest (IOI) in a particular stock; and
- the system transmitting the IOI to the selected users only when the user enters an order at the user station for the particular stock.

In previous office actions, Claim 26 was rejected under 35 U.S.C. § 103 as unpatentable over Silverman et al. in view of McCausland et al. In the April 15, 2002 and July 19, 2002 Office Actions, the examiner considered that col. 2, lines 17-30, col. 3, lines 55-60 and col. 7, lines 25-30 of Silverman et al.

disclosed the entry of IOIs. In the April 15, 2002 Office Action, the examiner did not address the portion of claim 26 (and similar language in claim 16) stating "the system transmitting the IOI to the selected users only when the user enters an order at the user station for the particular stock."<sup>3</sup>

At the interview, the examiner could not cite any prior art disclosing this and indicated that he would conduct further searching after receiving applicants' written response to the April 15, 2002 Office Action. Such searching has apparently not identified any new prior art. However, the examiner now contends that "Silverman et al. also disclose prior art trading systems that allow users to enter expressions of interest only after entering an order," citing to col. 2, lines 17-30 of Silverman et al.

Col. 2, lines 17-30 and col. 3, lines 55-60 of Silverman et al. simply refer to the entry of expressions of interest. These passages are silent with respect to whether the expressions of interest can only be entered after the user enters an order for the particular stock.

Col. 7, lines 25-30 of Silverman et al. discloses that a bid or order may be entered that may have firm parameters (e.g., price quantity, expiration terms, acceptable credit ranking) and soft parameters. That passage does not discuss whether a firm order must precede an order having soft parameters.

Thus, Silverman et al. does not disclose at least the last paragraph of claim 26, and the rejection of claim 26 on the basis of an alleged disclosure of that subject matter in Silverman et al. should be withdrawn.

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<sup>3</sup> Although the focus of the patentability of the invention claimed in claim 26 has been the last paragraph of claim 26, it is not admitted that the second paragraph of claim 26 is known in the prior art.

In the April 15 and July 19, 2002 Office Actions, the examiner asserted that the transmission of an IOI only if an order exceeds a certain quantity is well known as traders, investors and the like use trading strategies in order to maximize their profit. Hence, the examiner states, such a limitation is merely an automation of a known process and it would have been obvious to incorporate such a feature into the teachings of Silverman et al., as the system already provides a user with the ability to establish parameters for selectively interacting with other participants, and offers and bids.

Again, the examiner has not cited any prior art for his assertion that it is well known among traders to transmit an IOI only if an order exceeds a certain quantity. Unless the examiner can show that it is in fact well known among traders to transmit an IOI only if an order exceeds a certain quantity, then not only is there no basis for the examiner's obviousness contention, but there is also no basis that such a limitation is merely an automation of a **known** process (because in fact the process is not known). Unless the Examiner can provide some basis in the prior art for his contention that it is well known among traders to transmit an IOI only if an order exceeds a certain quantity, he should withdraw the rejection of claim 26 based on this contention.

It is submitted that claim 26 is allowable over Silverman et al. and McCausland et al.

Should the examiner issue an office action rejecting claim 26 on the basis of prior art disclosing the last paragraph of claim 26, he is requested not to make such office action final.

**Claim 16**

Claim 16 provides a system comprising, among other things, at least one computer programmed to "create a subset of system users selected by a user to which that user authorizes the system to transmit an indication of interest (IOI) in a stock for which that user has entered an order" and to "transmit an order entered by a user and associated therewith an IOI to users in the subset of users selected by the user that entered the order." Similar to the method of claim 26, the system transmits an IOI in a stock for which a user has entered an order. It is submitted that claim 16 is allowable for appropriate reasons advanced for the allowability of claim 26.

**Claims 17-25 and 27-29**


Claims 17-25 depend from claim 16; and claims 27-29 depend from claim 26. It is submitted that these claims are allowable for at least the reasons advanced for the allowability of claims 16 and 26, respectively. Applicants reserve the right to argue the patentability of the respective inventions claimed in these claims, either in this application or a subsequent proceeding, should any of claims 16 and 26 be rejected or held invalid.

**CONCLUSION**

We submit that claims 1-29 are allowable, and request prompt reconsideration and allowance of the application with claims 1-29.

Respectfully submitted,

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**Amended Claims Showing Amendments**

7. (Amended) [In a] A system for conducting anonymous trades of stock between users of the system, including:

at least one computer with associated computer memory which receives anonymous orders from a plurality of users of the system, and is programmed to electronically execute trades of matching orders and to support anonymous electronic negotiations between a first user and a second user of the system for a trade of a stock and to execute negotiated trades in accordance with at least price and quantity terms agreed to by the negotiating users;

[wherein the improvement comprises] the at least one computer also receiving stock orders originating from outside the system and being programmed to also execute a trade of an order from a user of the system matched with an order originating from outside the system[,] and a trade between a negotiated order from a user of the system and an order originating from outside the system, the at least one computer being programmed to execute a trade in accordance with a priority when the same trade becomes available between two orders originating within the system and an order originating from within the system and an order originating from outside the system.

17. (Amended) The system of claim 16 wherein the at least one computer is programmed to automatically transmit the IOI with the order.

18. (Amended) The system of claim 16 wherein the at least one

computer is programmed to transmit the IOI only when a command is entered in association with the order via a user station.

19. (Amended) The system of claim 16 wherein the at least one computer is programmed to automatically transmit the IOI with the order unless an override command is entered in association with the order via a user station.